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FEDERAL COMMUNICATIONS COMMISSION
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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

In the Matter of)

Federal-State Joint Board on)
Universal Service)

CC Docket No. 96-45

**COMMENTS OF THE COMMONWEALTH
OF THE NORTHERN MARIANA ISLANDS**

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SUMMARY OF COMMENTS

The Commonwealth of the Northern Mariana Islands ("Commonwealth") commends the Federal-State Joint Board on Universal Service ("Joint Board") on the thoroughness of its Recommended Decision, particularly with respect to the attention it pays the universal service needs of Pacific insular areas. The Commonwealth generally supports the Recommended Decision's substance and approach, but urges the Commission to adopt the following modifications or revisions to the Joint Board's recommendations.

MODIFICATIONS PROPOSED BY THE COMMONWEALTH

Toll-free Access in Insular Areas--The Commonwealth disagrees with the decision of the Joint Board to take no immediate action to provide universal service support allowing consumers in the Commonwealth to gain toll-free access to 800 numbers in order to both order goods and services and access information/Internet services. Based on the "special circumstances" which the Joint Board acknowledges exist in Pacific insular areas, the Commonwealth shows that the Commission should extend universal service support to eliminate the "paid access" surcharge currently assessed by the local telephone company serving the Commonwealth, Micronesian Telecommunications Corporation ("MTC"), to place most 800 calls from the Commonwealth. Under "paid access," consumers can reach non-toll-free 800 numbers by dialing the prefix "880." If the Commission declines to extend universal service support to 800 arrangements and adopts the Joint Board's recommendation without changes, the Commission will be endorsing 800 service pricing and dialing arrangements in the Commonwealth which are fundamentally different -- and worse for consumers -- than those used within the contiguous U.S. The Commonwealth believes

these 800 service pricing and dialing arrangements are not permissible under Section 254(b)(3) of the 1996 Act, may be unlawfully discriminatory, and are clearly not in the public interest. Alternatively, however, should the Commission elect instead to revisit this issue at a later date, the Commonwealth requests that it do so after August 1, 1997, as proposed by the Joint Board.

In an important and related issue not addressed by the Joint Board, the Commonwealth requests that the Commission take steps to ensure that existing "paid access" arrangements continue--at least on an interim basis--once the Commonwealth joins the North American Numbering Plan ("NANP") on July 1, 1997. MTC has indicated that, unless special arrangements are made, upon its entry into the NANP the Commonwealth may lose its ability to access the U.S. 800 network via "paid access". Under no circumstances should this result be allowed to occur, since it would eliminate any ability for callers in the Commonwealth to reach the majority of 800 numbers in the U.S. 800 services network. Since the Commonwealth has traditionally been treated as an international point, continued use of such 800 "paid access" arrangements would be a suitable temporary post-NANP measure easing the impact of Commonwealth's transition into the NANP. Thus, the Commonwealth requests that the Commission clarify that the interim period for authorizing continued use of 800 numbers (beyond the date of the Commonwealth's inclusion in the NANP) last until either the Commission extends universal service support for 800 arrangements in the Commonwealth or the Commission revisits the issue at a later date.

Discount Methodology for Schools and Libraries--As the Commonwealth demonstrates in its Comments, the Commission should modify the matrix which the Joint Board has proposed for calculating the discounts applicable to telecommunications services available to schools and libraries. As currently drafted, this discount matrix uses participation within the national school

lunch program as a proxy for determining the need for support. Using its own school lunch participation rates as an example, the Commonwealth shows that such a proxy is imperfect and, in some circumstances, does not accurately reflect the need for support. The Commonwealth therefore argues that in order to address the subjective unaffordability of telecommunications services to certain groups of consumers, the discount matrix for schools and libraries must be revised so that per capita income levels are factored as an adjustment to the proxy's results.

Health Care--The Commonwealth is critical of the Joint Board's "rural rate" proposal for determining universal service support for rural health care providers, and demonstrates that it must be changed if it is to encompass insular areas such as the Commonwealth. The Commonwealth is virtually entirely rural, has no counties, lacks defined "metro" and "non-metro" divisions, and suffers rate variations for calls made between different islands rather than between contiguous points on land. As a result, the current proposal's focus upon "urban" and "rural" rate disparities makes it almost entirely unworkable for determining the support needed by the Commonwealth's health care providers. The Commonwealth believes that in order to assure that such telecommunications services receive adequate support, the Commission must adopt a unique universal service solution which will address the Commonwealth's unusual cost problems. The Commonwealth suggests that such a solution might be to authorize support for both interstate and intrastate services used by health care providers in the Commonwealth. Alternatively, the Commission might specifically designate Saipan, one of the Commonwealth's main islands, as an "urban" area and provide universal service for all such interisland calls.

Support for Single-line Businesses--As a further revision, the Commonwealth also believes that the Commission should extend an equal level of universal service support to residential

customers and single-line businesses located in insular areas rather than the “reduced” level suggested by the Joint Board. Single-line businesses are clearly telecommunications consumers, and under the Joint Board’s own factfinding such businesses resemble residential users in their subscribership problems and cost-driven need for support. It therefore follows that single-line business located in insular areas should not be treated differently from residential users. As the Commonwealth indicates in its Comments, the Commission should accordingly utilize both the Joint Board’s rationale and the Commission’s own precedent in extending equal universal service support to single-line businesses.

RECOMMENDATIONS SUPPORTED BY THE COMMONWEALTH

In addition to the revisions discussed above, the Commonwealth encourages the Commission to adopt the following recommendations of the Joint Board:

- the federalization of the Lifeline and Link Up support programs;
- providing universal service support for toll limitation services;
- barring carriers which receive universal service support from disconnecting Lifeline service for the nonpayment of toll charges (subject to a limited waiver);
- prohibiting carriers from requiring Lifeline recipients from posting service deposits when the recipient elects to receive toll-blocking;
- indefinitely exempting carriers serving insular areas from the operations of any proxy models;
- requiring Comsat to pay universal service contributions;
- using subscribership levels to determine what level of universal service will produce “affordable” rates for consumers;
- providing universal service support for the internal connections and inside wiring of eligible schools and libraries;

- providing universal service for Internet access by eligible schools and libraries;
- allowing health care providers the flexibility to choose which services receive universal service support;
- periodically revising the definition of universal service support;
- creating a universal service advisory panel;
- refraining from adopting any of the proxy models that were submitted in this proceeding;
- rejecting the competitive bidding approach for determining universal service support;
- refraining from adopting additional eligibility standards besides those specified in Section 214(e) of the Telecommunications Act of 1996;
- not increasing the current subscriber line charge of \$3.50; and
- expressly adopting the Joint Board's recommended definition of "interstate communications."

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**COMMENTS OF THE COMMONWEALTH
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The Commonwealth of the Northern Mariana Islands ("Commonwealth"),¹ by its attorneys, respectfully submits the following comments in response to the Commission's Public Notice released on November 18, 1996 in the above-captioned matter.²

I. INTRODUCTION

The Commonwealth applauds the thoroughness of the Federal-State Joint Board on Universal Service's ("Joint Board's") Recommended Decision regarding the revision of the Commission's universal service support programs.³ In particular, the Commonwealth commends the Joint Board for its efforts to address the unique issues posed by including insular areas such as the

¹ Consistent with the Commission's request that parties consolidate their filings in rulemaking proceedings implementing the Telecommunications Act of 1996 (see Public Notice, FCC 96-81, released March 1, 1996), these Comments are filed by the Office of the Governor and concurred in by the Commonwealth's Office of the Resident Representative.

² Common Carrier Bureau Seeks Comment on Universal Service Recommended Decision, Public Notice (Nov. 18, 1996)("Notice").

³ In re Matter of Federal-State Joint Board on Universal Service, Recommended Decision, CC Dkt. No. 96-45, FCC 96J-3 (Nov. 8, 1996)("Recommended Decision").

Commonwealth within the national universal service programs. Although the Commonwealth proposes revisions to several of the Joint Board's recommendations in these Comments, the Commonwealth generally supports the substance and approach of the Recommended Decision and (subject to modifications proposed herein) urges their adoption by the Commission.

The Commonwealth consists of 14 islands strategically located in the North Pacific Ocean approximately 3,300 miles west of Honolulu, 1,200 miles southeast of Tokyo and 50 miles north of the Territory of Guam ("Guam"). The total land area of the Commonwealth is slightly larger than 2.5 times the size of the District of Columbia.⁴ The populated islands of the Commonwealth (i.e., Saipan, Tinian and Rota) have a total population of 58,846 persons.⁵

The Commonwealth is a self-governing commonwealth in political union with and under the sovereignty of the United States. The relationship between the Commonwealth and the United States is governed by the "Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America."⁶ Among other things, the Covenant provides that persons born in the Northern Mariana Islands both before and after it took effect are

⁴ Central Intelligence Agency, World Factbook at 290 (1993). A map of the Commonwealth is attached as Exhibit A.

⁵ See William H. Stewart, "A Demographic and Geographic Profile of the Commonwealth of the Northern Mariana Islands," at 1 (Commonwealth Department of Commerce, 1996).

⁶ See 48 U.S.C. §1801 note (Supp. 1995), approved by Congress in Public Law 94-241 (March 24, 1976), 90 Stat. 263 ("Covenant"). The Covenant was entered into following a plebiscite held under the United Nation's supervision in which the residents of the Commonwealth voted to enter into political union with the United States as a commonwealth.

citizens of the U.S.⁷ Subject to certain exceptions, federal law applies to the Commonwealth.⁸

Until this year, the Commonwealth was one of only three U.S. insular points that were not yet members of the North American Numbering Plan ("NANP"). The Commonwealth is presently situated in World Numbering Zone 6 along with a number of other countries in the Southern Pacific, including Australia, New Zealand, the Republic of Singapore, and Thailand, among others. Whereas calls within the NANP can be placed by dialing "1+" the area code and seven digit number, calls between the Commonwealth and the U.S., as well as other NANP destinations, have been placed using the international dialing pattern, "011". This has necessitated use of an awkward thirteen-digit dialing protocol, as well as the relatively expensive and potentially confusing international routing of the Commonwealth's telecommunications traffic.⁹ These disadvantages will soon be eliminated since the Commonwealth and the other Pacific insular areas have been admitted to the NANP effective July 1, 1997¹⁰ -- a development that was aided by the explicit recognition in the Telecommunications Act of 1996 ("1996 Act") that the Pacific insular areas are, in fact, part of the U.S. domestic telecommunications market.¹¹

⁷ Covenant at §301.

⁸ U.S. Department of the Interior, Office of Insular Affairs, A Report on the State of the Islands, at 27 (Aug. 1995).

⁹ Additionally, the Commonwealth was not listed in NANP telephone books as a domestic point.

¹⁰ Letter from Ronald M. Conners, Bellcore Director of NANP Administration, to Commonwealth Governor Froilan C. Tenorio of May 10, 1996.

¹¹ See 47 U.S.C. 254(b)(3)(explicitly stating that U.S. "insular areas" are to be incorporated in national rate integration); see also In re Matter of Policy and Rules Concerning the Interstate, Interexchange Marketplace, Notice of Proposed Rulemaking, CC Dkt. No. 96-61, FCC

Another cause of the Commonwealth's isolation has been the high prices that its businesses and consumers have paid for telecommunications services to and from the U.S. mainland. The Commonwealth remains currently one of only three U.S. points which have not yet been rate integrated.¹² Instead, international ratemaking principles have traditionally been applied to calls between the Commonwealth and mainland U.S., resulting in rates for off-island, domestic calls that are several magnitudes higher than the rates charged for calls in the highest rate band between U.S. points included within rate integration.¹³ As a result, Commonwealth residents are deprived of certain telecommunications services available to other Americans and are charged far more for those services which are available. Such treatment has inhibited the free flow of telecommunications traffic between the Commonwealth and the mainland U.S. and has adversely affected the Commonwealth's residents, economy, and integration with the rest of the nation.

It should also be noted that the Commonwealth's local exchange service market is currently not competitive. The Commonwealth's sole provider of both local exchange services and exchange access services (including both switched and special access services) is Micronesian

96-123, at ¶ 77 (Mar. 25, 1996)(noting that the 1996 Act explicitly defines "state" in such a way as to include the U.S. territories and possessions such as the Commonwealth).

¹² The Commission has explicitly ruled that per the terms of Section 254(g) of the 1996 Act, the Commonwealth, Guam and American Samoa are henceforth to be included in national rate integration. See In re Implementation of Section 254(g) of the Communications Act of 1934, as Amended, Report and Order in CC Dkt. No. 96-61, FCC 96-331, ¶ 66 (Aug. 7, 1996). Rate integration of the Commonwealth and the Pacific insular areas will take place on August 1, 1997, subsequent to their admission to the NANP. Id. at ¶ 71.

¹³ See Comments of the Commonwealth of the Northern Mariana Islands to the Notice of Proposed Rulemaking and Order Establishing Joint Board in CC Dkt. No. 96-45, at 3-4 (April 12, 1996)("Initial Comments").

Telecommunications Corporation ("MTC").¹⁴ In addition to its dominance of the local service market, MTC is also the dominant provider of domestic and international off-island services in the Commonwealth. Only one other interexchange carrier ("IXC"), IT&E Overseas, Inc., has established a point-of-presence in the Commonwealth.¹⁵

II. PROPOSED REVISIONS TO THE JOINT BOARD'S RECOMMENDATIONS

While the Commonwealth largely supports the Joint Board's recommendations, it believes that the recommendations discussed below require modification.

A. The Joint Board's Recommendations Regarding Toll-free Access in Insular Areas Should Be Modified

The Commonwealth applauds the Joint Board's recognition of the "special circumstances faced by carriers and consumers in the insular areas of the United States, particularly the Pacific Island territories."¹⁶ However, the Commonwealth believes that the Joint Board's recommendations regarding toll-free access require modification.

The Recommended Decision concludes that "the Commission take no specific action regarding cost support for toll service to the Northern Mariana Islands at this time, but

¹⁴ MTC is owned and controlled by GTE Hawaiian Telephone Company Incorporated which, in turn, is owned and controlled by GTE Corporation. See, e.g., Comments of GTE Service Corporation to the Petition for Rulemaking to Provide Rate Integration in File No. AAD 95-86, at 1 n.1 (August 15, 1995). In February 1996, Hawaiian Telephone purchased the remaining minority shares in MTC, increasing its ownership interest in MTC to 100 percent. Report of Independent Public Accountants, Arthur Anderson LLP, at 12 (March 8, 1996).

¹⁵ See Comments of IT&E Overseas, Inc. to the Notice of Proposed Rulemaking in CC Dkt. No. 96-61, at 10 (April 19, 1996).

¹⁶ Recommended Decision at ¶ 434.

revisit this issue at a later date.”¹⁷ At the same time, however, the Recommended Decision expresses concern “that residents of Guam and the Northern Mariana Islands have access to toll free services and information services.”¹⁸

The Commonwealth believes that if the Commission implements, without change, the Joint Board's recommendations regarding toll-free access in the insular areas, the Commission will be authorizing 800-type service arrangements for insular areas which are fundamentally different -- from both a pricing and dialing standpoint -- than those widely used in the contiguous U.S. Under the Joint Board's recommendations, not only will callers in the Commonwealth continue to be assessed a “paid access” charge for a portion of the call, but these callers will also be required to dial 880 (and only sometimes 800) in placing 800-type calls.¹⁹ The Commonwealth submits that this 800-type service arrangement is not in the public interest; may constitute unlawful discrimination; and may be altogether avoided by extending universal service support to 800 services in the Commonwealth.²⁰

However, to the extent that the Commission is not prepared to extend universal service support to 800 services in the Commonwealth at this time, the Commonwealth

¹⁷ Id. at ¶ 435.

¹⁸ Id. at ¶ 437.

¹⁹ The term “800-type calls” is used herein to refer to the service arrangements in place in the Commonwealth under which callers dial either 800 to place a non-paid access 800 call, or 880 to place a paid-access 800 call, as further described below.

²⁰ This position was advocated by the Commonwealth in both its Initial Comments in this docket as well as its September 24, 1996 ex parte letter. See Initial Comments at 3 and Letter from Thomas K. Crowe, Counsel for the Commonwealth of the Northern Mariana Islands, to William F. Caton, FCC Secretary, of Sept. 24, 1996.

alternatively endorses the Joint Board's recommendation that the issue be revisited at a later date.

The Joint Board recommendation also fails to address a separate but more immediate concern involving 800-type services. This concern involves a potential NANP transition issue that could impact 800-type dialing in the Commonwealth. This concern could be addressed by Commission clarification that IXC's in the Commonwealth can continue utilizing, on an interim basis, 880 numbers for "paid access" after July 1, 1997 -- the date the Commonwealth becomes part of the NANP. These issues are explained in further detail below.

1. 800 Calling in the Commonwealth

Since the vast majority of 800 subscribers in the contiguous U.S. do not elect to purchase from IXC's 800 service that embraces the Northern Mariana Islands,²¹ MTC offers "paid access" to these contiguous U.S. 800 numbers.²² This charge covers the portion of the call from the Commonwealth to Hawaii, where a link to the U.S. domestic 800 network occurs.

In order to complete a "paid access" 800-type call today in the Commonwealth, the calling party must first dial 011-1+880.²³ If a caller attempts to place a call to an 800

²¹ See 1996 MTC Telephone Directory at 28, attached as Exhibit B. See also Reply Comments of MTC, CC Dkt. No. 96-146, filed Sept. 16, 1996 at 4-5.

²² Initial Comments at 3. Other IXC's serving both the Commonwealth and Guam also utilize this same approach and assess a "paid access" charge to callers placing 800-type calls.

²³ See *id.* After the Commonwealth becomes part of the NANP on July 1, 1997, callers will no longer need to place such calls by first dialing the international country code, 011.

number (as opposed to an 880 number) for which the customer has not requested coverage for the Commonwealth, the call is blocked and the calling party is advised by an MTC recording that the call can only be completed by first dialing 1+ 880 and then the seven digit number, and that the call will entail a charge (i.e., is a "paid access" call). Thus, MTC has set up a dual 800 system in the Commonwealth consisting of 880 dialed calls for "paid access" and -- for a small percentage of 800 traffic -- 800 dialed calls for "toll-free" calls.

MTC's 1996 Commonwealth telephone directory refers to the portion of an 880 call from the Commonwealth to Hawaii as being charged to callers at its "direct dial rates."²⁴ Thus, completing 880 calls from the Commonwealth, even after the implementation of rate integration on August 1, 1997, will remain expensive since the calling party would be billed by MTC at its direct-dialed, long distance rates.

2. 800 Service in the Commonwealth Should Receive Universal Service Support or, Alternatively, the Commission Should Address This Issue at a Later Date

800 Service Should Receive Universal Service Support--Toll-free access to 800 services are essential to consumers in the Commonwealth. Given the Commonwealth's distant and isolated location, many consumer goods and services -- goods and services which are widely available, and taken for granted, in the contiguous U.S. -- are simply not available in the Commonwealth via standard 800 numbers. Instead, large numbers of businesses offering goods and services can only be reached via 880 calls, which are "paid access" calls charged at direct-dialed, long distance rates. Given that per capita income in

²⁴ Id. at 3.

the Commonwealth in 1995 was less than \$7,000,²⁵ many would-be callers to 800 numbers simply cannot afford to complete calls to "paid access" 880 numbers. Perhaps more important, true toll-free access to 800 service is essential to citizens in the Commonwealth desiring to access information services, including the Internet. At their current low income levels, "paid access" 800 calling also prevents many citizens from using information/Internet services. Thus, in a very real sense, the 800 service arrangements which currently exist in the Commonwealth both hinder the Commonwealth's commercial ties with the contiguous U.S. as well as its access to advanced information services.²⁶

In its Comments filed in the Commission's Universal Service proceeding, the Commonwealth based its request for support for 800 services, in part, on Section 254(b)(3) of the Communications Act which provides as follows:

ACCESS IN RURAL AND HIGH COST AREAS.--Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services

²⁵ In 1995, per capita income in the Commonwealth was \$6,984, ranking the Commonwealth 53rd among the 54 U.S. states, territories and commonwealths. See Stewart, supra, at 1.

²⁶ The Covenant which governs the U.S. relationship with the Commonwealth requires the U.S. to "assist the Government of the Northern Mariana Islands in its efforts to achieve a progressively higher standard of living for its people as part of the American economic community and to develop the economic resources needed to meet the financial responsibilities of local self-government." Covenant, supra, at § 701. Universal service support for 800 arrangements in the Commonwealth will clearly promote the objectives of the Covenant.

in urban areas.²⁷

This provision expressly envisions support for “interexchange services” (which include 800 services) reasonably comparable to those provided in urban areas. More importantly, Section 254(b)(3) envisions that such services be available at rates reasonably comparable to rates charged in urban areas. To the best of the Commonwealth's knowledge, consumers in all mainland U.S. urban areas have access to genuine toll-free 800 services without being assessed a significant “paid access” charge. Consumers in the Commonwealth should not have to pay a costly long distance charge to access the domestic 800 service network for purposes of obtaining products and services, or access to information/Internet services.²⁸ Thus, support for 800 service in the Commonwealth falls squarely within the scope of Section 254(b)(3).

Should the Commission decline to afford universal service support for the Commonwealth, consumers in the Commonwealth will be unable, in the vast majority of instances, to place calls to 800-type numbers without being assessed a toll charge. In other words, the benefits of toll-free calling will, for all practical purposes, not exist in the Commonwealth, a location most in need of true toll-free calling. The Commonwealth contends that such a result is not in the public interest, is potentially unlawfully discriminatory under Section 202 of the Communications Act, and is inconsistent with the

²⁷ 47 U.S.C. § 254(b)(3).

²⁸ Given the Commonwealth consumers' low per capita income levels, the burden imposed by the "paid access" long distance charge is even greater than it appears.

Commonwealth's impending inclusion within the NANP as well as under rate integration.²⁹

Universal service support for 800 calling in the Commonwealth would also result in simplified, uniform dialing and its attendant benefits, thereby benefitting the U.S. telecommunications infrastructure. The reason for this is that universal service support would have the effect -- from a customer perception standpoint -- of eliminating the potentially confusing dual 800 system that currently exists in the Pacific insular areas. Customers would no longer need to place calls to "paid access" 800 calls by first dialing 880; instead, they would only dial 800 (like callers in the contiguous U.S.). Thus, universal service support would effectuate a more uniform nationwide 800 services system from the perspective of users.

The Commission has stated that "[t]he advantages of widespread access to such a seamless network are considerable."³⁰ Uniform dialing reduces customer confusion, decreases unproductive traffic to the network, increases standardization for the traveling public and reduces the costs of operating telecommunications networks. Each of these attendant benefits would be promoted by affording universal service support for 800 calling in the Commonwealth such that customers will no longer need to dial alternative 880 numbers.

Alternatively, the Commission Should Revisit the Issue at a Later Date--If the Commission is not prepared at this time to extend universal service support to 800 service

²⁹ See Initial Comments at 5.

³⁰ In the Matter of the North American Numbering Plan, Report and Order, 11 FCC Rcd. 2588, ¶ 4 (1995).

arrangements in the Commonwealth, it should -- consistent with the Joint Board recommendation -- revisit the issue sometime after August 1, 1997 (once the Commonwealth has become part of the NANP and integrated its rates with mainland U.S. rates). Such an approach offers the benefit of first allowing the marketplace, under a rate integrated, NANP-incorporated environment, to address the Commonwealth's concerns over paid access charges for some 800-type calls.

3. The Continued Use of 880 Numbers
Should be Ensured on an Interim Basis

The topic of insular area toll-free access raises another important issue that the Commonwealth believes must be addressed by the Commission. This issue entails the impact that NANP entry on July 1, 1997 could have on 800-type access in the Commonwealth.³¹

In its Reply Comments filed in CC Docket 96-146, MTC³² suggests that it may no longer be able to make available access to contiguous U.S. 800 numbers in the Commonwealth once the Commonwealth becomes part of the NANP.³³ Specifically, MTC states “[c]onsequently, MTC will no longer be able to use 011+1880 for paid access to U.S.

³¹ The Commonwealth recognizes that this issue may not be best addressed in the context of the universal service proceeding. However, given its close relationship to the broader toll-free access issue, the Commonwealth believes that it is important that it be raised in this context.

³² MTC is the monopoly provider of local exchange services in the Commonwealth. See supra at n.13.

³³ See Reply Comments of MTC to the Order and Notice of Proposed Rulemaking in CC Dkt. No. 96-146, at 4-5 (Sept. 16, 1996).

points unless special arrangements are made.”³⁴ The implication appears to be that absent special arrangements, access to 800 numbers may not be available in the Commonwealth to those businesses which do not pay to have 800 service that encompasses the Commonwealth. This implication is confirmed by a press report in which Del Jenkins, General Manager of MTC, states, “[i]n the future when the CNMI becomes part of the North American Numbering Plan, we will no longer be able to utilize this 880 international number, and therefore we may lose our ability to carry paid 800 number calls at all . . . the CNMI will once again be cut off completely from calling 800 numbers where the businesses on the other end don't want to pay for the calls.”³⁵

MTC's statements apparently refer to the fact that 880 numbers have only historically been used for international inbound 800-type service associated with calls originating in one country in the NANP and terminating in another country also within the NANP. For example, 880 (and related 881) numbers are currently widely used in placing 800-type calls from the Caribbean to the U.S. and Canada, and from Canada to the U.S. Apparently, no historical precedent exists for the use of 880/881 numbers for calls originating and terminating within the same country under the NANP, as would be the case when the U.S. Pacific insular areas become part of the NANP on July 1, 1997.

The Commonwealth is concerned over this potential obstacle and believes that the potential inability to access 880 services in the Commonwealth on a post-NANP basis

³⁴ Id. at 6.

³⁵ Letters to the Editor, Marianas Variety, Sept. 20, 1996 at 5, 45.

alluded to by MTC would clearly not be in the public interest and would be inconsistent with Section 254(b)(3) of the 1996 Act. Moreover, the Commonwealth is unaware of any legal restriction which would preclude the use of 880 numbers for 800-type calls between the Commonwealth and the contiguous U.S. once the Commonwealth becomes part of the NANP. Indeed, NANP entry should render the practice more in conformity with historical precedent since, by virtue of the Commonwealth's becoming part of the NANP on July 1, 1997, the calls would originate and terminate entirely within the NANP (as is the case now with 800-type calls between Canada and the U.S. and the Caribbean and the U.S.). Thus, the Commonwealth urges the Commission to clarify that IXC's in the Commonwealth be permitted to continue using 880 numbers for inbound 800-type services on an interim basis.

Authority for the continued use of 880 numbers would necessarily be of an interim nature. First, if the Commission orders universal service support for 800-type services in the Commonwealth (as urged above), there would likely be no need for continued use of 880 numbers beyond the commencement of universal service support on January 1, 1998. Second, if the Commission decides not to require universal service support for 800-type calling and elects to revisit the issue at a later date, it will, for self-evident reasons, be necessary to continue 880 arrangements. Presumably, the arrangements would continue until the Commission revisits the issue, at which time it could determine whether such arrangements should be terminated (if, for example, IXC's devise other acceptable methods of establishing 800-type arrangements) or permanently extended. Either way, continued use of 880 arrangements beyond July 1, 1997, will be necessary. The Commonwealth, thus, recommends that the Commission clarify that the interim period for authorizing continued

use of 880 numbers last until either the Commission extends universal service support for 800 arrangements in the Commonwealth or the Commission revisits the issue at a later date.

**B. The Discount Methodology Used for Schools
And Libraries Must Be Modified to
Reference the Per Capita Income of Recipients**

While the Commonwealth supports the principle of using a sliding need-based scale to determine the level of universal service support provided to eligible schools and libraries, the Commonwealth believes that the “discount matrix” proposed in the Recommended Decision should be modified to address consumer income levels.³⁶ As currently constructed, the discount matrix uses participation in the national school lunch program as a proxy for determining the need for support, and adjusts the raw product of this proxy either upwards or downwards according to the cost of service within the area.³⁷ As demonstrated below, however, this proxy-based methodology fails to adequately take into account the significant role that per capita income plays upon the affordability of telecommunications.

The simplest way to illustrate the proposed discount matrix’s imperfection is simply to show its results vis-a-vis the Commonwealth. Although the Commonwealth has among the very lowest subscribership rates in the country (ranking second- from-last in per capita income in the U.S.)³⁸ and suffers some of the highest rates for telecommunications services

³⁶ See Recommended Decision at ¶ 555.

³⁷ See id.

³⁸ See Stewart, supra, at 1.

charged to any U.S. point,³⁹ the Commonwealth would not qualify for the highest bracket of support produced by the discount matrix. Given these realities, the Commonwealth is hard-pressed to conceive of other areas which warrant a higher level of support. Yet, since only slightly under 70% of the children attending the Commonwealth's schools receive school meals,⁴⁰ and only 53% of this group in turn participates in the national school lunch program,⁴¹ the Commonwealth's schools and libraries would qualify only for an approximate 80% discount instead of the maximum level of 90%. It is therefore apparent that the discount matrix under-allocates support to the Commonwealth and that adjustments should be made in order to guarantee fair, accurate results.

The Commonwealth believes that the discount matrix, as drafted, inaccurately reflects need because it fails to adequately factor subjective affordability. As the Commonwealth demonstrated in both its Initial Comments⁴² and Further Comments⁴³ to the

³⁹ See Initial Comments at 3-4.

⁴⁰ See Exhibit C, Memorandum from William S. Torres to Dave Ecret of December 10, 1996.

⁴¹ See Exhibit D, "Actual Meal Count Participation; Month of October 1996," (unpublished report of the Food and Nutrition Services division of the Commonwealth Public School System), attached to memorandum from William S. Torres to Thomas K. Crowe of December 11, 1996. It should be noted that of the students which do not receive school lunches, many would probably qualify for federal support under these programs.

⁴² Initial Comments at 9-11 (explaining the link between low income levels in the Commonwealth and unaffordability, and arguing that "affordability" should be determined based upon considerations both of price and income level).

⁴³ Further Comments of the Commonwealth of the Northern Mariana Islands to the Public Notice in CC Dkt. No. 96-45, at 4-6, 8-9 (Aug. 2, 1996)("Further Comments")(stressing the need to consider income levels in determining what level of support will produce "affordable" rates